FOREIGN AGRICULTURE

Delivering milk, Ecuador.

British "Yes" on EC Affects U.S. Farm Trade

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Milk is brought by donkey and dugout canoe to the nearest highway, where trucks carry it to the city of Guayaquil. Improvement of its outdated farm transportation system is a goal of the Ecuadorean Government's efforts to alleviate food shortages. Article begins on page 10.

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What Does British "Yes" on EC Mean for U.S. Farm Trade?

By WILLIAM L. RODMAN
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THE UNITED KINGDOM'S decisive vote in favor of continued European Community membership offers up mixed prospects for U.S. farm trade with this prime overseas market. For while Britain's presence in the EC will most likely encourage expansion in U.K. farm production and trade with other EC members, the constructive attitude of the British toward modification of the EC's Common Agricultural Policy (CAP) parallels U.S. interests in many important instances.

The referendum on EC membership produced an overwhelmingly affirmative vote: 67.2 percent in favor of remaining in the EC. Accordingly, British Government policy will focus on such traditional EC objectives as expanded agricultural self-sufficiency and increased trade with other EC members, which already have moved strongly into the lucrative British market.

This means that in the future U.K. feedgrains, supplemented by corn and soft wheat from France, will make further inroads into the U.S. share of Britain's feedgrain market. Among other products, U.S. fruit and tobacco exports may also be adversely affected. But stable or increased demand is seen for imported hard wheat, soybeans, and long-grain rice, since these products are not available from EC suppliers.

Generally speaking, U.K. farm production will expand as it becomes fully subject to the protective EC CAP, but only within limitations imposed by availability of suitable farmland, climate, and topography. Area limits have already been largely reached—in 1975 amounting to about 30 million acres of arable land and permanent grass, with less than 18 million acres of this cropland (including temporary grass and hay). Moreover, encroachment for nonagricultural uses will reduce this area gradually.

For grains, various forecasts indicate that the largest short-term expansion will be in cereals, particularly soft wheat. However, there are other considerations that will affect expansion.

First, since almost all arable land is already under the plow, an increase in the grain area will be in competition with or at the expense of other crops.

Second, continuous cropping of grains in the United Kingdom is not expected to be widely adopted in the near future.

Third, while there is the possibility of growing more grain in the western parts of the country, these areas have a comparative advantage in grazing livestock, the profitability of which will also improve under EC conditions after full adoption of the CAP and the current EC beef glut is worked off.

Total production of grains, therefore, will increase but only from the current level of 16 million tons to about 17.5 million tons by 1980. Most of this relatively small gain will be in soft wheat and barley, with further declines in oats. Production of corn for grain is still very much of a gamble in the the United Kingdom.

Regarding livestock production, British membership appears to augur for a more rational approach to EC livestock problems, although there are a number of factors working against this approach being accepted by the majority of EC members.

"The referendum on EC membership produced an overwhelmingly affirmative vote: 67.2 percent in favor of remaining in the EC."

Chief among the drawbacks is the United Kingdom's attractiveness as an import market for livestock products—despite the fact that 70 percent of its farm income comes from such products—and the consequent likelihood of other EC members opposing

any measures that would reduce this market.

The United Kingdom must, for instance, import about 20 percent of its beef, 55 percent of its bacon, 50 percent of its lamb, and 85 percent of its butter. And the market is rapidly being taken over by other EC members, in contrast to past dominance by Southern Hemisphere suppliers such as Argentina, Australia, and New Zealand (Denmark, however, has long supplied most of the bacon).

These imports of the past were made at world prices, with U.K. farmers compensated through deficiency (direct) payments, compared with the EC system of buying and storing beef and of prohibiting imports from third countries. It is now clear that the United Kingdom has had some effect on EC livestock policy and indeed the idea of direct income supports to livestock producers, rather than buying surplus beef for freezing, may become a permanent feature of the CAP.

Entry into the EC coincided with a massive runup in grain and feed prices, as well as a sudden change in world beef supplies—from shortages in the first year of membership to an unwieldy glut in the second year. As a result, producer returns continued to lag behind costs, bringing a halt to the rapid livestock expansion of the early 1970's.

Because of such problems, last year was marked by crises for U.K. livestock producers, with returns squeezed and the Government torn three ways between taking short-term action to ensure the breeding herd was not run down, trying to convince partner countries of the need for alternative beef policies and better grain-livestock price balances, and trying to renegotiate the original terms of EC entry.

Moreover, encouragement of U.K. livestock production means primarily the dairy industry, which has large modern farms, a good marketing system, and a milk herd that produces 60 percent of the country's beef. As a result, the U.K. livestock industry could get caught in a serious bind caused by rapidly rising costs, on the one hand, and the chronic EC overproduction of dairy products, on the other hand.

The latter problem is especially troublesome since other partner countries are unlikely to agree on policies that would build up U.K. dairy cow numbers at the expense of their dairy product exports to the United Kingdom.

In farm trade, the United Kingdom seems likely to be a less promising market for imports from third countries in the near future, both because of its adoption of EC policies and because of a changing world commodity situation. The United States has already begun to feel this change following strong gains in earnings from shipments—but declines in volumes—during fiscal 1974.

Value of U.S. farm exports to the United Kingdom (not including transshipments) rose 29 percent to $684 million between fiscal 1973 and fiscal 1974, but a 12 percent reduction to somewhere around $602 million is estimated for fiscal 1975. Moreover, the sharp gain in fiscal 1974 was fueled by soaring commodity prices, rather than by rising demand. U.S. corn sales in fiscal 1974, for instance, fell 19 percent in quantity while rising 45 percent in value to $140 million; wheat exports dropped 44 percent in quantity but rose 13 percent in value to $45 million; and soybean exports fell 22 percent in quantity but climbed 13 percent in value to $59 million. One exception to this trend was tobacco, with quantity up 7 percent and value up 14 percent to $147 million, making tobacco the largest single U.S. agricultural export to the United Kingdom.

"... In the future U.K. feedgrains, supplemented by corn and soft wheat from France, will make further inroads into the U.S. share of Britain's feedgrain market."

Results in fiscal 1975, on the other hand, were affected not only by the easing of commodity prices but also by stiffening competition from EC suppliers.

Through March of the 1975 fiscal year, U.S. direct exports of corn to the United Kingdom had fallen 63 percent in quantity and 54 percent in value; soybeans, by 54 and 42 percent, respectively; and wheat by 22 and 12 percent. Some of the decline in takings of U.S. soybeans is being made up by larger imports from Brazil, while imports of processed fruits and fruit juices from the United States are being replaced more and more by suppliers from Mediterranean countries, particularly Israel.

Looking further ahead, the United Kingdom's expanding domestic barley output—plus increased imports of French corn—will tend to contain British corn imports at around the current level of 2.5-3.5 million tons, even while overall production of mixed feed continues to grow. Part of the difference will be made up by grain substitutes such as wheat byproducts, corn gluten feed and meal, rice bran, and protein meals—items in which the United States can expect export expansion. The U.K. soybean market should continue to expand, but U.S. exporters will be up against increased competition here from Brazilian soybeans.

Soybean meal will be provided mainly by U.K. crushers from imported beans, assuming the domestic market expands fast enough for the additional oil production. (One drawback to this is the subsidy on U.K. consumption of butter, with imports from New Zealand under special arrangements.) Helping to ensure the increased crushing ability is the construction of a new plant in Liverpool, with a crushing capacity of 2,000 tons per day.

Despite continued growth in EC and U.K. soft wheat output, the United Kingdom expects to be importing up to 2 million tons a year of hard North American wheat. This strong demand is seen continuing until production of hard wheat becomes possible in Western Europe or baking techniques and taste changes provide for bread made from soft wheat.

Another market likely to see little change is that for long-grain rice, with such imports from the United States expected to remain near the current level of around 40,000 tons, milled equivalent.

For some time, one of the biggest question marks has hung over tobacco, with the fear that as the United Kingdom harmonized into the Community's tobacco regime, the more expensive U.S. flue-cured leaf favored in the United Kingdom could be put at a great competitive disadvantage. It also remains to be seen if the recent sharp rise in U.K. tobacco taxation will cut consumption materially.

The fast-shrinking U.S. share of the British fruit and vegetable market is threatened by minimum import prices, processing and shipping subsidies, and the import control system recently en-

acted under the CAP for fruits and vegetables; Community preference arrangements with Mediterranean countries; and the recently concluded Lome agreements.

U.S. exports of edible offal and poultry products should not be seriously hurt in the near future.

If the United Kingdom had elected to leave the Community and then reverted to former agricultural policies, U.S. farm exports might have enjoyed some short-term benefits. From the longer term point of view, however, the United Kingdom's remaining in the EC may be more in the U.S. interest, since the British are likely to press for liberalized EC import policies in order to keep food prices as low as possible.

"Despite continued growth in EC and U.K. soft wheat output, the United Kingdom expects to be importing up to 2 million tons a year of hard North American wheat."

For example, the United Kingdom continues to press within the Council of Agricultural Ministers for special levy treatment on North American hard wheat and can be expected to resist any EC moves aimed at raising the feed costs of European livestock producers. On the other hand, the United Kingdom seems unlikely to oppose Mediterranean preferences and other EC trading arrangements that have little effect on British farmers and could help keep U.K. food prices down.

The British went into the European Community with their eyes open and accepted the CAP as a necessary cornerstone of a unified and prosperous Europe—even though much of the CAP was in conflict with the traditional U.K. policy of maintaining low food prices.

In fact, the Conservative Government in power at the time of accession had been prepared to move away from this traditional policy toward one providing greater protection against low-cost imports. But then the Labor Party was returned to power in February 1974, with a pledge to renegotiate parts of the Treaty of Accession.

One of these disputed parts is the large contribution the United Kingdom must make to FEOGA, the EC funding organization. In joining the EC, the United Kingdom bound itself to a system calling for high levies and customs duties on imports, which in turn are paid into the FEOGA. This means that the United Kingdom, only about 50 percent self-sufficient in food, makes substantial payments into the fund, a portion of which is returned to U.K. farmers under various EC support programs.

The United Kingdom's net contribution to the fund in 1973 amounted to £104 million,[1] which was reduced to £31 million in 1974 as a result of special arrangements made in Brussels to give greater support to British agriculture. But even under this new system, the United Kingdom's net contribution to FEOGA is estimated to rise to between £65 and £75 million in 1975 and is slated to become larger in the future under original terms of entry.

Despite this continuing problem, the United Kingdom has achieved some important concessions from the EC during the past year. These are generally regarded as significant steps toward lessening the rigidity of the CAP. Among negotiating successes claimed by the United Kingdom are continuation of the beef premium payment scheme, permission to grant direct subsidies to calf and hog producers, the allowance for concessional sales of beef, arrangements for future imports of New Zealand butter and cheese, and the decision on sugar to be supplied by Commonwealth developing countries.

The United Kingdom would still like to alter the heavy price imbalance under the CAP favoring grain over livestock. There is also the desire for the removal of levies on hard wheat imports. However, with the conclusion of the Dublin Summit on renegotiation of entry terms, the United Kingdom is not at this time in a position to make further direct or new demands for special treatment or to insist on changes in the CAP that would benefit the United Kingdom only.

As far as anti-EC sentiment in the United Kingdom is concerned, the positive referendum vote has brought a commitment to accept the results and work for the best long-term interest of the United Kingdom within the EC.

The British National Farmers' Union took a strongly pro-EC stance prior to the referendum and now that these hopes have been realized will assuredly press for the quick absorption of British agriculture into the full CAP.

One of the first moves expected is the realinement of the British "green pound," which is now at least 20 percent out of line with the true value of sterling on international currency markets. As an interim measure, the green pound may be devalued by between 7.5 and 10 percent since the British Government no doubt would resist the full 20 percent devaluation on grounds that it would raise food prices too suddenly at a time when inflationary pressures continue to mount.

Except for the short-term interests of consumers, however, devaluation of the green pound would be of great benefit to British agriculture in that the sterling price received by U.K. farmers would rise without additional funds having to be found from Exchequer sources. The cash boost, moreover, would be a useful first step in injecting the money required for the planned expansion in agricultural self-sufficiency.

[1] **£1=$2.20.**

Soviet Purchases of Grain Now Over 10 Million Tons

In the wake of its apparent setback in grain production, the USSR has purchased 10.8 million metric tons of North American grains, as of July 21.

A private U.S. export firm announced on July 21 that it had sold the Soviet Union 4.5 million tons of corn and 1.1 million tons of barley, for delivery October-August 1975/76.

The purchase was announced as an "all origins" sale—the grain may originate in the country selected by the export firm. Normally, the United States is the source of most of the corn shipped to the Soviet Union, but only a small amount of the barley.

In earlier transactions, the Soviet Union purchased 3.2 million tons of U.S. Hard Winter wheat and 2 million tons of Canadian wheat, for delivery August-July 1975/76.

All sales of U.S. grain to the Soviet Union this season have been made by private exporting companies, and carry no U.S. subsidy or Government credit.

Frozen Foods Gain Steadily Among Italian Consumers

DESPITE ITALY'S tradition of consuming fresh food all year around, the country's frozen food production—while small—is growing steadily, particularly in the precooked food area.

Three frozen food manufacturers—two of them Italian-owned—dominate the market, operating about 40 plants located mainly in southern and central Italy. Production capacity is 55,000 metric tons, and the industry employs about 2,700 workers. There is speculation that a French frozen food manufacturer now exporting to Italy may start producing in Italy.

Italy is expected to continue fast rates of increase in both production and consumption. Even in 1974, when other more expensive food items experienced lower sales, frozen food sales increased.

Frozen U.S. foods presently exported to Italy include poultry products and a small amount of frozen grapefruit juice produced under license. But given rising consumer and institutional demand, U.S. frozen food manufacturers should be able to market a wider range of their products in Italy.

Supermarkets play a major role in Italian frozen food sales, but a growing number of traditional small food shops have been installing freezers. Sales to institutions also are expanding. Rome and Naples are the major consuming cities, and urban areas account for almost all consumption.

While fruit and vegetable consumption is primarily satisfied by domestic production, most frozen fish and poultry are imported. Per capita consumption of all frozen food is only 2.87 pounds, but a survey projects this level at 10 pounds by 1980.

Italian consumers generally have small refrigerators with little or no freezing space, but this situation is not seen as a major deterrent to increasing demand because of the Italian tradition of shopping almost daily and the high number of food outlets means that neighborhood stores function, in effect, as communal freezers.

Frozen baked goods are in brisk demand with Milan supermarket shoppers (left). Frozen poultry, such as that being stocked in Milan food market (above), also is growing in consumer acceptance. The United States and Hungary are major suppliers of frozen poultry to Italy.

There is a lack of detailed statistics on trade. It is estimated in the trade than 1,000-2,000 metric tons of frozen poultry are imported annually, mainly from the United States and Hungary. About 20,000-23,000 tons of frozen fish were imported in 1974 from West Germany and the Netherlands.

Italy exports some precooked food, and sells a considerable amount to passenger ships. About 7,000 tons of frozen vegetables — chiefly spinach, cauliflower, and broccoli—are exported, mainly to West Germany. Italy imports some vegetables—especially peas—from France and the Netherlands.

—Based on report from
Office of U.S. Agricultural Attaché
Rome

U.S. Food Show at Genoa

Potential U.S. exporters of frozen food products will have an opportunity to display their products at the annual Italian hotel exhibit in Genoa, November 15-23, in which FAS will participate. About 30 countries will be represented at the show.

U.S. firms interested in displaying their products should communicate immediately with FAS (FAS Export Trade Services Division, USDA, Washington, D.C. 20250, or telephone 202-447-7777), and should be prepared to submit product labels and possibly product samples for inspection by the Italian Government. Manufacturers of approved products may pay a $200 participation fee and must agree to send a representative to the show.

Dry Weather, Floods Hit East Europe

TORRENTIAL RAINS and subsequent flooding during the last week of June and first week of July have seriously affected cereal crops in southern parts of Eastern Europe, while northern regions are beset with hot, dry weather. This year's East European grain harvest was expected to be close to the record 89 million metric tons produced in 1974/75, but projections have been reduced to about 86 million tons as a result of the poor weather. Projected net grain imports by Eastern Europe for 1975/76 have also been revised—to 6.5 million tons, from the 4.3 million tons previously estimated.

Extensive flooding has occurred along the floodplains of the Danube and Tisza Rivers and their tributaries. On July 8, the Danube crested at 8.05 meters at Budapest, less than a half meter short of its 1965 record. There has been considerable damage to spring-sown crops as well as harvestable wheat, barley, and rye crops.

In Hungary, the Tisza and the Danube flooded an estimated 108,000 hectares of cropland and damaged the wheat and spring barley crops.

The heavy rains have caused some damage to cereal crops in Slovakia, a major Czechoslovakian grain-producing region. A dispatch from the Levica District reported that over 16,000 hectares of grain were affected.

In northeastern Yugoslavia, along the Romanian border, an estimated 35,000 hectares were inundated in the rich Vojvodina Province.

In Romania, heavy flooding caused severe crop losses throughout the country, with low-lying arable lands along the country's southern border hit worst.

There has been no word of flood damage to the cropland of Bulgaria on the Danube's southern bank.

In sharp contrast to the rest of Eastern Europe, northern East Germany has been experiencing unusually hot, dry weather for some time. The lack of soil moisture has inhibited normal crop growth and has accelerated ripening. Though it is still too early to determine the extent of crop damage, yields could be significantly reduced if these conditions continue.

In East Germany, as well as the countries experiencing the flooding, emergency harvests are underway in an effort to minimize losses.

Poland apparently is the only country in Eastern Europe not severely affected by drought or floods. Despite some reports of dry weather in its northwestern regions, Poland is looking forward to an above-average grain harvest.

Reports concerning the extent of crop losses are still incomplete. Romania is worst affected and losses could exceed 1.5 million tons of a projected 14-million-ton total grain crop.

Loss in Yugoslavia could be as much

Continued on page 12

Farm Exports Under CCC Credit Off in 1975

AGRICULTURAL exports under the USDA's Commodity Credit Corporation (CCC) Export Credit Sales Program for fiscal 1975 amounted to approximately $249 million, compared with $298 million in fiscal 1974. The major users of CCC credit (in million dollars) were: Korea, 60.2; Romania, 42.6; United Kingdom, 22.5; Egypt, 21.6; Poland, 17.3; Peru, 15; Philippines, 15; and South Africa, 11.2.

During fiscal 1975, lines of 3-year credit under the program were approved for Korea, Peru, the Philippines, Poland, Taiwan, and Thailand. Of the total $249 million financed, approximately $52.8 million was under 6- and 12-month repayment terms.

Fiscal 1975 was another year in which program restraints limited the flow of CCC credits to foreign countries. The employment of governmental credits was confined to commodities in adequate supply, and where financing was needed to maintain U.S. markets. Conesquently, cotton, tobacco, and rice made up about 60 percent of total financing.

A decline in domestic and foreign demand during the year made it apparent that larger quantities of some farm commodities would be available for export than had been anticipated earlier. Therefore, dry edible beans, nonfat dry milk, tallow, raisins, hog grease, wheat flour, and soybean and peanut oils were added to the list of commodities eligible for export financing.

As a further incentive, 6- and 12-month financing were reinstated. Nevertheless, the tight supply situation acted as a restraint on volume during the year.

Another program restraint resulted from enactment of the Trade Act of 1974, which placed new limitations on trade with Communists countries. Credit and business with most East European nations was barred, though this legislative limitation did not apply to Poland and Yugoslavia, which already have most-favored-nation status.

Interest rates throughout most of fiscal 1975 were at 10 or 11 percent. As the year progressed, there were notable declines in all interest rates. CCC credit followed suit in April 1975 by adjusting downward to 8 percent for U.S. bank obligations, and 9 percent for foreign bank obligations.

With record crops forecast for the coming year, the easing supply situation of agricultural commodities, and lower interest rates, increased activity under the CCC Export Credit Sales Program during fiscal 1976, which began on July 1, is expected.

CCC credit is a short-term (maximum of 3 years) dollar-credit program operated under the authority of the CCC Charter Act of 1956. The program was designed to help U.S. exporters to meet foreign competition, hold their share of traditional markets, and establish new markets. Since 1967, only privately owned stocks have been financed.

USDA officials stress that CCC financing is not intended to provide foreign aid, but rather to expand dollar markets for agricultural commodities under commercial terms that enable U.S. exporters to compete effectively in world trade. Since the inception of the program in 1956, the CCC has financed $3.8 billion worth of U.S. agricultural export sales.

—By MARY E. MCMASTER
Commercial Export Programs, FAS

FIVE COMMUNES in the People's Republic of China

Part 2

Massive Farm Production Inputs Spark Gains in China's Harvests

By HAROLD C. CHAMPEAU
U.S. Agricultural Officer
Hong Kong

THE MAJOR production inputs in China's agricultural economy are labor, water conservation, mechanization, agricultural chemicals, and research. Under policies encouraging self-reliance, the widely publicized "learning from Tachai," overcoming obstacles created by nature, and other measures to increase agricultural production, a tremendous amount of rural capital construction has been carried out in China, particularly in the past few years.

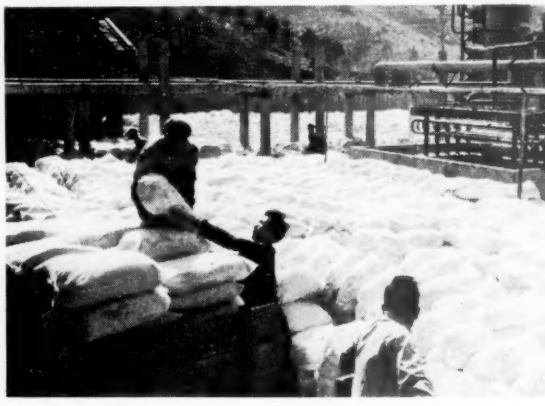
Great masses of workers have been mobilized to work on impressive projects—especially in water conservation—as well as in programs to improve and reclaim farmland, build roads, and create condition favorable to greater efficiency in agriculture.

Masses of workers also have been active in accumulating and distributing organic fertilizers and in carrying out research in the field designed to increase yields of grains and other crops. The continuing, intensive use of rural mass labor in these tasks clearly has resulted in increased and more dependable production of grain in China, and —to a lesser extent—of other crops.[1]

"Water conservancy" includes flood control, irrigation, and drainage projects. As areas of chronic flooding are brought under control, attention has

[1] **Statements on production and yields in this article are those of officials at the five communes visited by the author. FAS does not necessarily agree with data presented. The facts and figures reported to the author by PRC officials are presented without analysis or comment.**

Workers at the Tungfeng Commune (in Haifeng County, Kwangtung Province) plant the first rice on newly reclaimed land. Other reclamation projects begun in recent years include dams, canals, dikes, dual-purpose irrigation-drainage control stations, and hydroelectric power-generating stations. In some cases, several communes may combine their efforts to complete major reclamation projects.



turned increasingly to irrigation and drainage work.

In irrigation, in particular, the results are impressive. At the Red Star China-Korea Friendship Commune, 95 percent of the cultivated area can be irrigated in time of drought, officials claim, and in periods of heavy rainfall as much as 4 inches of water can be drained from the fields in a 24-hour period. This commune has constructed more than 1,000 deep wells, each with a pump, among its various projects.

Both communes in the Shanghai area claimed that 90 percent of their cultivated area was irrigated, and both had installed pipes underground—under the roads and fields—to conserve cropland. The Hua Tung Commune in Kwangtung Province has made use of its mountainous northern area by building 26 mountain reservoirs to control flooding, provide irrigation water, and produce hydroelectric power.

Workers there have built dams, canals, dikes, dual-purpose irrigation-drainage control stations, and hydroelectric power stations. The power stations, however, supply only about half the commune's requirements, so the remaining power requirements must be supplied by the state—presumably by the electric power network under central control.

Where hydrological conditions require construction outside a commune, it is the practice for several communes to work together on a project. For example, seven communes cooperated in building an impressive dam across a tributary of the Pearl River and a 44-mile irrigation canal.

Half of the necessary investment was from accumulated commune funds, and half was supplied by the state. During construction of the dam, the 1-day record for mass labor was 40,000 persons, icluding 17,000 from the Hua Tung Commune—a clear example of the intensity of labor in rural capital construction in China.

One of the stated aims of the mechanization program in China's agricultural economy is to release manpower for more labor-intensive tasks in the countryside, such as transplanting and interplanting and other techniques that are uniquely Chinese. But a major objective of the agricultural mechanization program most commonly heard in other developing countries—that of releasing manpower to work in industry—was not mentioned in the five communes visited.

Although commune officials generally claimed—in identifying their shortcomings—that mechanization on their particular commune was not advanced, there is little doubt that there is more

Above: Building a catch basin in the People's Republic of China. Left: Loading chemical fertilizer made at a county synthetic ammonia plant. Use of organic fertilizer is stressed, but chemical fertilizer also is consumed. Far left: Learning pest control in the cornfields of the Pitai Brigade. near Shenyang.

mechanization on the five communes visited than in the countryside in general.

For example, at the Red Star China-Korea Friendship Commune—the largest of the five visited—there were 115 large tractors (an average of one tractor per 233 acres of cultivated land) plus 250 walking tractors.

At the Horse Bridge and July 1 Communes, 95 and 90 percent of the cultivated areas, respectively, are tilled by machinery, but there are admitted shortcomings in mechanization. Threshing, transport, and storage of grain, for example, are mechanized at the Horse Bridge Commune, but officials do not include harvesting in enumerating the expansion of mechanization.

Experimental work on the uprooting and transplanting of rice seedlings by machine has been carried out since 1970, but these machines apparently have not been perfected. At the July 1 Commune, mechanization shortcomings were noted in sowing, interplanting, and plant protection work. Where rice was transplanted by machine, there were complaints about excessive damage to seedlings.

The Hua Tung Commune has 29 medium and 260 small tractors that can be uesd to plow about 65 percent of the farmland. In the workshops of that commune, 3,090 farm machines of all kinds have been produced since the start of the Liberation movement in 1949—rice threshers, peanut shellers, and crushers, for example.

The Hua Tung Commune also constructed about 48 miles of highways for the use of its eight trucks and—in slack farming season—for the use of tractor-trailers for transporting agricultural produce and other goods—a common sight in China's countryside.

The national level of mechanization in China is not high. The claims of the communes visited indicate a far higher level of mechanization than the national level—whatever it may be. It is estimated that about 30 percent of China's agriculture is mechanized, but even if limited to a few basic operations, the figure would appear to be too high.

There was little evidence of mechanization during the visits to the five communes, although there would not normally be any reason to see optimum or even average use of agricultural machinery in the fields at the time of the visit—late October and early November.

Information on the availability of various types of fertilizers and their application was extremely limited during the visits to the five communes. Considerable reliance is placed on organic fertilizers rather than on chemical fertilizers. Chemical fertilizers did not appear to be readily available in large quantities at the communes visited. The observed use of plant protection chemicals was very limited, although the time of the visit was not a time of expected intensive use of such chemicals on croplands.

Commune officials stress the role of hogs in particular—and also of cattle and other animals—in providing organic fertilizer. At the Horse Bridge Commune, there has been increasing concentration on hog raising to "solve the fertilizer problem."

The superiority of organic fertilizer for soil improvement and in grain production was stressed by officials, although 20-30 percent of the fertilizer used at the July 1 Commune was chemical fertilizer, part of which is supplied by the Central Government and part of which is purchased from a nearby fertilizer plant.

The stated experience with chemical fertilizer is that "the grain looks good and grows well, but yields are low." There appears to be an element of rationalization in this statement, especially since it was the considered opinion of U.S. plant scientists who visited China in September 1974 that increased applications of nitrogen would result in increased unit-yields of grain.

There was some mention of microbial fertilizer use over the past 2-3 years. Such fertilizer is believed to be particularly useful in soil improvement when combined with manures.

At the July 1 Commune, a combination of cottonseed meal and microfertilizer is now used on most crops, but only as top dressing—not in preplanting.

AT THE Lok Gang Commune, a compost that also includes green manure, ammonia water, and phosphate is spread over the fields and plowed under in preparation for the early rice crop in particular. More fertilizer is top-dressed when heading takes place and insecticides also are applied.

Commune officials were questioned about agricultural research policies and activities, but not much information was developed. Research at the July 1 Commune was primarily in seed selection, with the major objectives of developing both faster maturing seeds to use in the growing seasons now shortened by increased multiple cropping as well as the higher yield varieties. Work also was being carried out on fertilizer response and the use of plant protection chemicals.

The July 1 Commune has a research unit whose members all have had long experience as workers. There are also research groups at the brigade level, whose operations were supervised by the commune's research unit. The unit normally exchanges research results and experiences with similar organizations at other communes as well as disseminating material to members within the commune.

Food Crisis Forces Reform Of Farm Policy in Ecuador

By C. MILTON ANDERSON
U.S. Agricultural Attaché
Quito

A FOOD CRISIS has developed in Ecuador that has already forced changes in the country's agricultural policies. Some observers fear that the crisis, probably the most serious domestic problem that Ecuador has faced in several years, is becoming increasingly serious.

Agricultural output, which has risen less than 5 percent over the past 3 years, has been far outstripped by soaring consumer demand for food. Ecuador is growing rapidly in size—3.4 percent population increase in 1974—and wealth—the result of the infusion of oil dollars into the economy. The almost negligible gain in food production stands in sharp contrast to growth rates greater than 10 percent in other sectors of the economy.

A number of factors are said to have contributed to the stagnation of agricultural output. Increases in consumer demand for food and in food prices are coinciding with rising production costs and off-farm migration, difficulties with agrarian policy, and several other economic and political complications.

The Government of Ecuador apparently realizes that outdated and inefficient agricultural policies are at the root of the food problem. It is discarding past policies of consumer-oriented prices in favor of efforts to stimulate farm production. The crisis has also emphasized the need to change a traditional agricultural marketing system that has a negative effect on crop production, while failing to work in the best interests of consumers.

Under the present, traditional system, producers are forced to sell their products as they are harvested to a rather large number of middlemen and wholesalers at relatively low prices. The middlemen tend to be either truck owners or proprietors of small stores.

Occasionally the middlemen lend the producers money to cover their living costs between harvests, then later accept their products—below market prices—to pay off the loan. Products purchased by middlemen and small wholesalers eventually reach the markets of the major cities, generally more indirectly than directly.

In contrast to the middleman system, most of the smaller villages still hold their market days, usually on Sundays. Small local wholesaler/retailers or the producers themselves bring their products for sale directly to the consumers.

In an effort to update its agricultural marketing system, the Government of Ecuador is pouring large sums of money into development of the transportation system. It is building roads to connect the producing areas to the marketing centers.

The Government is also attempting to improve the marketing system through construction of slaughterhouses, establishment of uniform grades and standards, and development of a cooperative marketing association to benefit small producers.

Marketing is not the only problem in Ecuador's agricultural system. Farm storage facilities are virtually nonexistent and there is little large-scale modern warehousing for foodstuffs, with the exception of some for wheat and rice. Storage and handling facilities even in cities are inadequate.

The Government has been making an effort over the past 3-4 years to participate in, and thereby control, the buying, storage, and marketing of agricultural commodities. It is doing so through three new Government agencies.

THE FIRST of the three, created in 1971, is the **National Enterprise of Vital Products** (ENPROVIT), a public corporation that buys farm commodities directly from producers and processors for resale to wholesalers and retailers. Whether it intended to or not, ENPROVIT, however, soon found itself managing a large chain of Government retail stores, while direct buying from producers by retailers remained quite limited.

At the end of 1971, ENPROVIT was operating 88 stores, 3 packing plants, and 11 trucks. Retail sales for the year totaled $1.2 million. Three years later its operation had grown to 146 stores, 20 supermarkets, 18 warehouses, 14 packing plants, 43 trucks, and a sales volume of $26.5 million.

ENPROVIT's activities are now clearly oriented toward the consuming by its action to regulate the supply and prices of basic food commodities. Rice, sugar, vegetable oil, flour, soap, and vegetable lard are some of the more important items handled.

The second of the three Government agencies created to stabilize the prices of basic food items was the **Department of Prices** (Superintendencia de Precios), set up in April 1973. Its primary function is to analyze the market situation and to fix maximum wholesale prices for many food items, both processed and unprocessed. It also establishes a referential retail price series for these items each week.

In Quito and other cities, neighborhood stores, far left, are giving way to Government-operated supermarkets, left, in Ecuador's effort to update its farm marketing system. Farm woman, below, carries goods to one of the outdoor markets still common in rural areas.

In spite of Government efforts at direct price control, mainly through the Department, the short domestic supply, aggravated by the inefficient marketing system, caused food prices to rise by 28 percent during 1974. Some increase in producer prices was obviously necessary to cover the increased cost of inputs such as fertilizer, and to stimulate agricultural output.

The third and most recent Government agency, created in February 1974, was the **National Company for the Commercialization of Agricultural Products** (ENAC). Like ENPROVIT, ENAC is a private corporation attached to the Ministry of Agriculture, with administrative and budgetary autonomy. ENAC apparently will function in the area originally intended for ENPROVIT —control of commodity price speculation by middlemen.

Some of the principal responsibilities assigned to ENAC are:

- To insure an adequate supply of agricultural products for domestic consumption at reasonable prices for producers, consumers, and industry.
- To participate directly in the acquisition of agricultural inputs required for production or provide other incentives for production.
- To help develop, promote, and execute programs of commercialization developed by other officials.
- To establish a national system of storage warehouses.
- To give assistance and incentives to marketing cooperatives.
- To help develop and administer a wholesale marketing system.

ENAC will probably be patterned after similar organizations in other Latin American countries, especially EDEMA, the agricultural marketing agency of Colombia. However, it will take several years for the Ecuadorean corporation to play as large a role.

During its first year of operation ENAC undertook a project to build 14 rice and corn storage facilities with 47,000 tons of capaicty in the country's four coastal Provinces. It also became active in the buying of select agricultural commodities, including cotton and hard corn, to support domestic prices.

ENAC also sought, with some success, to find export markets for surpluses of these commodities. In 1974, small quantities of cotton and hard corn were sold to Colombia and Costa Rica, respectively. In the near future the agency may be responsible for imports of wheat, Ecuador's largest farm import.

How successful these three Government agencies will be in improving the agricultural marketing system of Ecuador remains to be seen. To a large extent their success will depend on the support they receive from the Central Government.

The agencies' efforts must, of course, be coordinated with other efforts, such as the development of farm-to-market roads, and grading standards, in order for Ecuador to have the type of marketing system it badly needs.

East European Weather

Continued from page 6

as 5 to 10 percent. Reports from Czechoslovakia and Hungary are mixed but the crop in Slovakia was definitely affected by heavy rains and flooding.

East German winter grain crops are suffering from lack of moisture and the emergency harvest may mean yields will be even lower than the predrought projection, which was 3 quintals per hectare (about 4.5 bu per acre) less than last year. The East German grain crop could be as much as 1 million tons less than last year's.

How these recent developments will affect Eastern Europe's wheat trade is still unclear. During early June, it was estimated that Eastern Europe would need to import 3.7 million tons of wheat and export about 1.5 million tons during the July-June 1975/76 marketing year.

Since Romania and Hungary are responsibie for nearly all East European wheat exports it is unlikely that the 1.5-million-ton export level will now be achieved and imports will probably have to be stepped up. Romania, usually a net wheat exporter, and Czechoslovakia and East Germany, both large wheat importers, may all find it necessary to import more wheat than had been projected.

Grain import needs may also be substantially larger than had been previously anticipated—perhaps by as much as 2 million tons. Romania is already making plans to import substantial quantities of coarse grains and it has been projected that Yugoslavia may need to import about 300,000 tons of corn. Since the USSR, traditionally Eastern Europe's major grain supplier, will need to import large amounts of grains itself, Eastern Europe will probably look more to the West to supply its import needs.

—By J. MICHAEL CLEVERLEY and PETER BUZZANELL, *FAS*

EAST EUROPEAN GRAIN [1]
[In million metric tons]

Year	Production	Imports	
		Net	From U.S.
1970/71	65.5	8.0	1.8
1971/72	80.7	8.7	.9
1972/73	85.8	7.4	2.3
1973/74	86.1	4.9	1.9
1974/75	89.0	7.5	[2] 1.8
1975/76 [3] ...	86.1	6.5	([4])

[1] Wheat, rye, corn, barley, oats, sorghum. [2] July 1974-May 1975. [3] Projected, as of July 15, 1975. [4] Not available.

World Weather

Extensive flooding in Eastern Europe (see separate report on page 6) and in the Red River Valley of the United States damaged crops. Rains improved crop prospects in the USSR west of the Volga, but drought persists in much of the New Lands. Major crop areas of Australia received June-early July rains. The summer monsoons of Asia are tending to be beneficial, especially in India. Prolonged drought in Caribbean and North Sea regions has hurt crops, but mid-July rains are bringing some relief to North Sea area farmers. Frosts damaged coffee in Brazil.

June weather in the USSR was mostly hot and dry east of the Volga, extending through the New Lands. To the west and northwest, precipitation picked up considerably, running much above normal. Except in the Ukraine, temperatures were more seasonal in western USSR. Other East European countries, except East Germany, Poland, and Bulgaria, were hit by excessive rain and some damaging floods in late June and early July. On the other hand, Western Europe was cooler than usual and very dry in the North Sea region, trending to above-normal rainfall in much of the south. For the most part, this weather pattern for Europe and Asiatic USSR held through the first half of July. Rains brought some relief in mid-July to the North Sea region, however.

Summer rains have been good in most of sub-Sahara West Africa. Gambia and Senegal fared poorly in June, but conditions were better in July. Rainfall has also increased in July in drought-plagued Ethiopia.

In the Western Hemisphere, severe moisture shortages persist in much of the Caribbean and parts of Central America. Excessive rain caused problems in a number of places, but particularly in the Red River Valley of the United States. Canada's weather has been mostly benevolent. Rainfall has increased in many parts of Mexico and Central America. June was another in a series of wet months in Argentina. Northeast Brazil also was wet, but elsewhere in South America precipitation tended to be below normal. The important central part of Chile, however, has received beneficial rain in July.

Drought eased in major crop areas of Australia but some areas remain critically dry. Rains have been frequent in New Zealand.

In Asia, India's southwest monsoon is behaving well this year, and most of the country has received well above normal precipitation. Rainfall has been seasonally heavy in Bangladesh. The summer monsoon now seems also to be performing reasonably well in north and northeast China, relieving dry conditions in those areas.

Grain: Drought continued to take its toll of USSR spring wheat. Weather has been mostly favorable for the USSR winter wheat harvest, although heat reduced yield prospects in much of the Ukraine and Russian SFSR and rains caused delays in the west.

In North America, the small-grain harvest is well along after an erratic beginning and spring grains are generally doing well except in flooded areas.

In China, winter wheat was harvested in the south before heavy rains could damage the crop, and in the dry north, irrigation pulled most of the crop through. Only the Huai area had adequate spring rainfall. June-July rains were beneficial to spring wheat in the northeast, but perhaps too late for bumper yields. The excessive rains south of the Yangtze would have delayed maturity of early rice, thus delaying planting of the late crop.

Rice and coarse grain prospects look very well in India and Thailand and many other Asian countries. Summer monsoons have brought good moisture to start these crops and sustain early growth, often with an increase in area.

In the southern hemisphere, soil moisture has improved in Australia—at least enough to complete most of the small-grain planting. The important Murray River Valley still has little soil moisture reserve. Argentina and Brazil had excellent conditions for start of winter wheat.

Oilseeds: Some oilseeds were victims of the flooded areas, but in general soybeans, peanuts, flax, rape, sunflower, etc., are doing well in most producing areas. Nigeria has had heavy insect damage to peanuts in its northern latitudes.

CROPS AND MARKETS

TOBACCO

U.S. Tobacco Firm Signs Agreement with USSR

A U.S. tobacco firm has reportedly signed a cooperation agreement with the Soviet Union in Moscow covering technology in tobacco and cigarette production. A protocol on tobacco growing, harvesting, and processing reportedly was also signed.

ITC To Investigate Cigar Wrapper Imports

Cigar wrapper imports and their effect on U.S. domestic production in Florida, Georgia, and the Connecticut River Valley, will be the subject of an investigation and public hearings scheduled by the U.S. International Trade Commission (ITC) for August 1975.

A petition filed by the Cigar Leaf Tobacco Foundation, Inc. of Quincy, Florida, requested the investigation under section 201 (b) of the U.S. Trade Act of 1974, with respect to U.S. Tariff Items 170.10 and 170.15, whole and stemmed wrapped tobacco.

Hearings will be held in Tallahassee, Florida, on August 11; in Hartford, Connecticut, on August 13; and in Washington, D.C., on August 15. The purpose of the hearings will be to determine whether increased imports cause or threaten to cause serious injury to the domestic producing industry. Arrangements to present evidence at the hearings are being handled by the Secretary of the U.S. International Trade Commission, 8th & E Streets N.W., Washington, D.C.

Japan To Raise Tobacco Imports

Following an 8 percent increase in the volume of leaf tobacco imported in Japanese fiscal year (JFY) 1974 (April 1974-March 1975), the Japanese Tobacco Corporation (JTC) has announced projected imports for JFY 1975 of 220 million pounds. This represents a 35 percent increase over actual JFY 1974 imports. These imports are projected to meet steadily increasing demand for tobacco products and to cover declining domestic leaf production.

In the face of low tobacco stocks, especially in the United States, the JTC expects to buy a relatively greater share of its imports from traditionally secondary flue-cured suppliers —India, Thailand, and the Philippines—and may invest in production overseas to assure supplies. Tentative plans call for an increase of about 9 percent in purchases of U.S. flue-cured tobacco from the 1975 U.S. crop marketings.

According to the JTC's plans, imports of all U.S. tobacco in JFY 1975 should reach 104 million pounds. This is in line with recent annual U.S. exports to Japan but follows a long-term trend which saw the U.S. share of Japanese imports decline from 64 percent in 1969 to 49 percent in 1974. Japan will continue to be a key outlet for U.S. tobacco exports, but shipments may not reflect Japan's intended larger imports for several months, as uncommitted supplies of exportable flue-cured in the United States are virtually depleted. Tobacco from the 1975 U.S. flue-cured crop will move into export channels by late summer. The outlook is for a larger crop, based on higher guaranteed prices, increased acreage and larger effective farm quotas.

Japan's plans to increase imports come as the JTC begins incentive payments to increase tobacco acreage. Domestic Japanese leaf production has declined in recent years, and in spite of the new production incentive the outlook for the crop to be harvested in September 1975 is for a 7 percent decrease, to about 310 million pounds.

Steady increases since World War II in Japanese consumption of domestic and imported tobacco products are expected to continue, in spite of short-term sales slumps associated with price increases, such as the 33-50 percent increase in cigarette prices expected in mid-1975.

DAIRY, LIVESTOCK, AND POULTRY

EC Sets Subsidies For Private Storage of Cheese

On June 13, 1975, the European Community Commission approved subsidies for the private storage of Emmentaler and Gruyere cheeses. The Community's exports of both varieties to the United States dropped significantly after countervailing duties were imposed last April. To qualify, cheeses must meet the quality tests for class A in France, Markenkaese or Klasse Fein in Germany, or first quality in Denmark.

Subsidies may be granted only for the period June 15-October 15, 1975, on cheeses that were manufactured at least 30 days prior to the date of entry into storage. The storage subsidy is set at 1.24 units of account (about $1.72) per metric ton per day. No subsidies may be paid for periods of less than 90 days or more than 180 days, and cheese may be withdrawn from storage only during the period October 16, 1975-March 31, 1976.

EC Ups Egg Export Subsidy

In response to recent appeals from the United Kingdom, the European Community Commission on July 7, increased the export subsidy on shell eggs (except for hatching) from 6 to 12 units of account (u.a.) per 100 kilograms. The new subsidy will range between 11 and 12 cents per dozen, depending on the exporting country. The increased subsidy will apply to exports to Jordan, the Arabian Peninsula, Persian Gulf countries, and non-European countries of the Mediterranean.

The subsidy on exports to European third countries will remain at 6 u.a. per 100 kilograms. (One u.a. currently equals about US$1.31.)

The Commission also authorized the United Kingdom to suspend the application of the monetary compensatory amount

(MCA) from all sources during July 7-October 31, 1975. Because of the depreciation of the pound sterling, the MCA is a payment on imports and a charge on exports, serving as a subsidy for egg imports into the United Kingdom, and aggravating an already depressed egg market. The suspension of the MCA will make egg imports more expensive and will particularly affect shipments from France, which accounted for about 80 percent of imports in recent months.

U.K. Buys Domestic Beef for Intervention

The United Kingdom bought domestic beef for intervention July 7-11—the first time beef produced from cattle on the island of Great Britain has been purchased for intervention stocks. These purchases were necessary due to slumping market prices, which were £2.65 per hundredweight (about 5 U.S. cents per lb) below the intervention price. Further purchases may be necessary, since the U.K. target guarantee price will be below the fixed intervention price from July through September.

Swiss Lift Ban On U.S. Beef Imports

The Swiss embargo on U.S. beef imports has been lifted for July through September. About 75 tons of U.S. beef are expected to be shipped to Switzerland during this period.

U.S. Ambassador Jacobi has indicated that the Swiss will review the quota on a quarterly basis.

EC Issues Beef Import Licenses

The European Community Commission has issued import licenses for 4,800 tons of beef to be imported before the end of August 1975. The levy rate that was fixed for these imports was 87.21 units of account (u.a.) per metric ton for beef and veal in carcass.

This is about equal to the current frozen beef carcass levy of 87.30 u.a. per metric ton. (One u.a. currently equals about US$1.31.)

COTTON

Soviets Selling Cotton To Philippine Mills

A Soviet trade team in Manila on June 9 offered the Philippines unlimited supplies of Soviet cotton at 47-50 U.S. cents per pound, c.f. Manila. The Soviets offered to buy Philippine textile products in return.

Each Philippine mill is negotiating individually with the Soviet group. One mill reportedly contracted for 1,000 bales of Tretyl Russan Grade 3, strict low middling, 31-32 millimeters (1-1/16") at 47 cents per pound, c.f. Manila.

U.S. Raw Cotton Exports Remain at Low Level

U.S. raw cotton exports in May were 364,000 bales, about the same level as those of the past 4 months. The May total is moderately higher than April's in shipments to Europe, but down slightly to the Far East. Cumulative August-May shipments of 3 million bales continued to lag 38 percent below those for the same period last season.

Continued new cotton sales to the Far East through May and a small pickup in shipments since recent resolution of Far East contract problems have prompted a second 200,000-bale increase in the U.S. export projection, to 3.7 million running bales. Through May, about 700,000 bales had been sold for delivery next season, while shipments of over 1 million bales sold for delivery this year will be deferred until 1975/76.

Japanese Cotton Usage Drops Sharply

Japan's cotton consumption during August-April 1974/75 was 22 percent below the same period of the previous year. The decline was the result of a slackening in market demand and an effort by spinners to reduce inventories. Imports for the 1974/75 marketing year are estimated at 3.1 million bales, down 17 percent from 1973/74 but the U.S. share may be up slightly. The United States provided 33 percent of imports during the first 9 months of 1973/74, and 35 percent during the comparable period of 1974/75.

Japan is, by far, the United States' largest cotton export market, taking one-fifth of total U.S. cotton exports during the past 5 years. Consumption is expected to pick up in 1975/76. Yarn inventories have been reduced to some extent by a Government-sanctioned cartel arrangement among mills from January 1 to May 31, 1975. Mills were permitted to form a joint cartel, with the goal of reducing yarn output by about 40 percent. As a result of this reduced stock position and an anticipated improvement in demand, imports are expected to increase slightly to 3.2 million bales in 1975/76.

FRUITS, NUTS, AND VEGETABLES

Taiwan's Pineapple Output Down

Taiwan's output of total fresh pineapples in 1974 is reported at 307,850 metric tons, down 6 percent from a year ago. The 1974 acreage harvested was placed at 13,270 hectares, 2 percent more than the previous year's. Yield dropped significantly in 1974; at 23 metric tons per hectare, it was 21 percent below 1973's. This lower yield was primarily caused by unattractive grower prices and a serious shortage of fertilizer. Canned pineapple production for 1974 is reported at 2.2 million standard cases (45 lb per case, net).

Calendar 1974 exports of fresh and frozen pineapple are estimated at 9,505 metric tons, considerably less than the 50,000 tons shipped in 1973. Exports of canned pineapple in 1974 are reported at 2.28 million standard cases, down from 1973's by 32 percent.

Target production for 1975 fresh pineapples is set at 283,930 tons, with an estimated harvestable area of 13,200 hectares. The guaranteed minimum grower prices for the 1975 crop are about $67.50 and $60 per metric ton for first and second grade pineapples, respectively, destined for fresh exports. These prices were 16 percent above last year's.

Guaranteed 1975 grower prices for pineapples headed for canning and freezing are set at $52.50 and $46.25 per metric ton for first and second grades, respectively, up by an average of 22 percent from the previous year. Forecast 1975 output of canned pineapples is placed at 2.1 million standard cases, which reflects the slower demand.

The competition for raw product at the farm level has been intense in recent years. However, the decreased world demand for pineapples in 1974 and the implementation of the Government policy regarding an allocation process and minimum prices on the raw product have stabilized the marketing situation.

For 1975, the Government has ruled that only those fresh pineapple exporters who have a valid contract with growers and an actual record in 1974 shall be granted an export permit. The allocation plan for the 1975 crop calls for 58 percent for canning; 20 percent for fresh export; and 22 percent for frozen export. The quantity of fresh pineapples allocated does not include the tonnage grown by factory-owned farms.

OILSEEDS AND PRODUCTS

Nigerian Peanut Exports Negligible in 1974/75

Nigeria, a leading exporter of peanuts and peanut products in past years, is not expected to export any significant quantity of peanuts or peanut oil during the current October/September marketing season. Peanut meal exports are expected to be less than 30,000 metric tons.

Following the 1974 harvest, purchasing authorities bought an estimated 150,000 metric tons of nuts (shelled basis) from producers. To market the crop, the Government instituted a dual export and domestic sales pricing system. So far, exports of peanuts and peanut oil have been nil because the Government price for peanuts to be processed for export has been too high in relation to world prices to permit a favorable profit margin for Nigerian crushers.

Approximately 50,000 tons were bought from the Government by crushers at the much lower domestic sales price in order to supply strong local markets for peanut oil in Nigeria. The meal is expected to be exported, since domestic markets are limited. In the meantime, the Government is storing 100,000 tons of peanuts, having an estimated oil content of 45,000 tons, in pyramids in northern Nigeria.

On April 1, the Nigerian Government raised the producer price for 1975-crop peanuts from $272 per ton (12.3 cents per lb) to $412.50 per ton (18.7 cents per lb), shelled basis. There is now, however, growing concern that in the next marketing season this new price could exceed the world market price.

GRAINS, FEEDS, PULSES, AND SEEDS

Northern European Grains Hampered by Dry Weather

Several northern European countries report prolonged periods of dry weather, accompanied by high temperatures, are adversely affecting grain crops. Reports from the United Kingdom indicate that the 1975/76 grain harvest is expected to be below last year's 16-million-ton record. Late spring-crop sowing followed by drought and high temperatures may leave total cereal production at 13.5 million tons, down 2.5 million tons from 1974's. The wheat crop could be as much as 12 percent below last year's record 6-million-ton total. As a result, 1975/76 wheat import needs are likely to surpass the 3-million-ton total reached last year.

Sweden's grain-producing areas have reportedly suffered from lack of rain for the past 4 to 5 weeks. Though June droughts are common, spring-sown grains could be seriously affected if the dry weather continues through the month of July.

Several weeks of hot, dry weather are also severely affecting winter grain crops in East Germany. The lack of moisture has accelerated ripening and the East German Government has called for emergency harvesting to minimize losses. Especially hard hit is the barley crop, which normally accounts for one third of East Germany's total grain harvest.

South Africa Cuts Corn Output Estimate

The official estimate of the South African corn crop for 1975/76 has been reduced by 205,000 tons and now stands at 10.3 million tons, down 7 percent from last year's. The crop reduction should not, however, affect South African exports since stock levels are considerably above normal.

Japan Raises Rice Support Price

Japan, which has one of the highest rice support prices in the world, has set its grower price for 1975 paddy at $725 per metric ton, up 14.4 percent from last year's level. Rice prices at the retail level are heavily subsidized by the Japanese Government.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 21	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	5.72
USSR SKS-14	(1)	(1)	(1)
French Milling [2]	3.78	+12	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	5.00	+25	5.74
U.S. No. 2 Hard Winter: 13.5 percent	4.99	+ 1	5.23
No. 3 Hard Amber Durum	5.88	+11	7.70
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.84	+ 9	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.15	−15	3.59
French Maize [2]	3.10	−14	(1)
Argentine Plate corn	4.10	− 3	3.81
U.S. No. 2 sorghum	2.76	− 2	3.26
Argentine-Granifero sorghum	2.76	0	3.29
U.S. No. 3 Feed barley	2.36	− 2	3.04
Soybeans:			
U.S. No. 2 Yellow	6.25	+10	8.14
EC import levies:			
Wheat	1.38	−22	0
Corn	.80	−16	0
Sorghum	1.23	−11	16

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

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Railway Congestion Hinders South African Corn Exports

Railway congestion in South Africa is causing significant reductions in corn exports. Shipments for the first 5 marketing months (May-September) will leave South Africa almost 300,000 metric tons behind the quantity needed to move this year's anticipated record corn exports, estimated at 3.7 million tons.

Portugal's Feed Imports Down

Portugal's feed imports are expected to sink more than 250,000 metric tons in 1975/76. The wheat crop, up an estimated 200,000 tons from last year's, may be substituted for some of the feedgrain. Total feedgrain consumption is currently expected to remain fairly constant.

Dry Weather Damages Ireland's Grain Crops

Ireland's 1975 grain crops are expected to be 10 percent below previous estimates due to prolonged dry weather. Total grain production is now estimated at 1.28 million metric tons, 7 percent below 1974's. As a result, wheat import needs could reach 230,000 tons and feedgrain imports could be over 500,000 tons for the 1975/76 marketing year. Previous forecasts indicated 209,000 tons and 427,000 tons, respectively.

Switzerland Levies Feedstuff Import Quota

Switzerland has levied a 1975 feedstuff import quota of 1,050,000 metric tons, which will permit substantially lower imports than the 1.25 million tons allowed in 1974, and the 1.36 million tons in 1973. The reduction may only marginally affect U.S. feedgrain exports, however, since U.S. grain accounted for only one fifth of Switzerland's import needs last year.

Japanese Mixed Feed Output Continues Decline

Japanese mixed feed production in May 1975 totaled 1.4 million metric tons—4 percent less than output for the same month in 1974.

Mixed feed for dairy cows was the only type of production to show an increase over May 1974; it was up just over 1 percent. Feed for poultry, which makes up nearly 55 percent of the total, at about 750,000 tons, declined fractionally. Output for hogs, the second most important class of livestock in terms of mixed feed manufacture, went down almost 8 percent, to 375,000 tons, compared with last May. Feed for beef cattle fell nearly 20 percent.

GENERAL

MTN Safeguards Group Ends General Discussions

The safeguards group of the Multilateral Trade Negotiations (MTN), meeting in Geneva June 30-July 4, completed its general discussions of the inadequacies of the present multilateral system for permitting countries to protect themselves against import injury. The U.S. statement described U.S. domestic safeguard policy (including relevant provisions of the Trade Act of 1974, Section 204 of the Agricultural Adjustment Act (AAA) of 1956, and Section 22, AAA of 1933), and set forth U.S. views on deficiencies in the present system under the General Agreement on Tariffs and Trade (GATT) temporary safeguard provision (Article XIX), and on other GATT articles and measures taken outside of GATT rules.

The next meeting, in November, will examine specific issues in full detail, the first step toward working out a new safeguards system.

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